

1958  
**ANNUAL  
REPORT**

*for year ended January 31, 1959*

**INTERSTATE  
DEPARTMENT  
STORES, INC.**





Murray D. Safanie  
*Chairman; Partner,  
Shearson, Hammill & Co.  
Investments and  
Securities Brokers*

## DIRECTORS



Sol W. Cantor  
*President*

## Officers

MURRAY D. SAFANIE  
*Chairman of the Board*

SOL W. CANTOR  
*President*

SAMUEL J. ABEND  
*Vice President*

BARRY GOLDEN  
*Vice President*

GEORGE H. STUNTZ  
*Treasurer*

ALBERT PARKER  
*Secretary*

EDWARD C. SCHENKEL  
*Assistant Treasurer  
and Assistant Secretary*



Samuel J. Abend  
*Vice President and  
Group Manager*



Charles E. Federman  
*Retired*



Barry Golden  
*Vice President*



Emanuel P. Lewis  
*President, Shapiro Bros.  
Factors Corp.*



Harold F. Linder  
*Vice Chairman of  
General American  
Investors Co., Inc.*



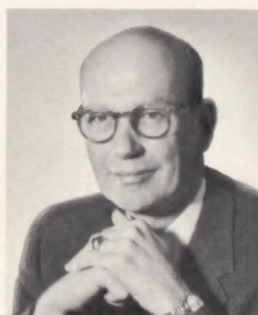
Benjamin W. Mayer  
*Group Manager*

## Executive and General Offices

111 EIGHTH AVENUE  
New York, N. Y.



Albert Parker  
*Secretary; Partner,  
Parker, Chapin & Flattau  
Attorneys*



George H. Stuntz  
*Treasurer*



Harold J. Szold  
*Partner, Lehman Brothers  
Investment Bankers*



## Summary of 1958

	Years Ended January 31	
	1959	1958
Sales .....	\$65,674,273	\$66,653,452
Net Income Before Taxes .....	987,762	1,623,806
Net Income After Taxes .....	645,666	1,040,407
Earnings Per Share .....	2.06*	3.31
Dividends Per Share: Cash .....	.92½	2.50
Stock .....	3%	—
Long Term Debt .....	4,978,212	5,888,251
Working Capital .....	13,626,127	14,406,749
Stockholders' Equity .....	15,586,307	15,253,437
Stockholders' Equity Per Share .....	49.62*	48.56
Current Ratio .....	3.6 to 1	4.0 to 1

\* Based on shares outstanding as at January 31, 1959  
without giving effect to the stock dividend.



April 30, 1959

TO THE STOCKHOLDERS OF  
INTERSTATE DEPARTMENT STORES, INC.

We are pleased to report that the fourth quarter of the fiscal year, which ended January 31, 1959, was one of the most profitable fourth quarters in our history. For the full year, we earned \$645,600 after taxes, equal to \$2.06 a share, based on the 314,100 shares issued and outstanding at the year-end.

The results in the last quarter represented a striking turnabout in the Company's operations. Interstate went into the last quarter with a nine-month loss of \$464,000, largely due to the general business recession. Though very few companies escaped the effects of last year's economic downturn, our Company was particularly sensitive because of the number of Interstate stores located in midwestern automobile cities and other industrial communities which were hard hit by the recession and where, in many cases, large scale unemployment still exists.

The first signs of an upturn occurred in October, as we reported in our December 9, 1958 letter to stockholders. The favorable turn became even more sharply defined in the subsequent months and by the middle of January our improved position enabled the Company to resume dividends.

Your Board of Directors and Management are gratified by the results of the year, for in addition to reflecting a substantial net profit in a very difficult year, the Company was able to achieve further progress in strengthening its financial position and improving the ratio of sales to inventories.



## SALES AND EARNINGS

Reflecting sharply increased volume in the last quarter, sales for the year came within 1.5 per cent of matching the previous year, which was one of the best in the history of the Company. Volume for the year totalled \$65,674,200, compared with \$66,653,400 in fiscal 1957.

Though improved economic conditions were primarily responsible for the turnabout in our sales and earnings in the last quarter, our efforts in recent years to strengthen the composition of our groups of stores also had a favorable influence. As detailed later in this report, we continued our program of opening new modern stores in suburban shopping centers, and closing older operations which failed to contribute their share to the Company's total sales and profits. This program can be expected to have an increasingly important bearing on future profits.

Our earnings for the year, before taxes and after providing \$884,500 for depreciation, amounted to \$987,700, compared with \$1,623,800 the previous year after depreciation of \$889,600. Our income after taxes totalled \$645,600, or \$2.06 a share, and \$1,040,400 equal to \$3.31 a share, for the 1958 and 1957 fiscal years respectively.

## DIVIDENDS

The Company paid a dividend of 62½ cents on April 15, 1958, and on January 14, 1959 declared a cash dividend of 30 cents a share, based on a new annual rate of \$1.20 a share. It also declared a stock dividend of 3 per cent. The cash dividends declared totalled 92½ cents a share for the year. The stock dividend was valued for accounting purposes at 88 cents a share, based on the closing price of the Company's stock the day prior to the declaration.

The Company's new dividend policy of combining cash and stock dividends represents an important modification. Whereas previously dividend disbursements had been limited to cash, the new policy provides for an annual consideration of stock dividends to supplement cash. The Board of Directors decided on this new policy because it believed that the combination of cash and stock dividends would give recognition to both the improvement that had occurred in the Company's profits and also the continuing demands that would be made on cash by future expansion.



## STATEMENT of SOURCE and APPLICATION of FUNDS YEAR ENDED JANUARY 31, 1959

Working Capital at beginning of year .....	\$14,406,749
<hr/>	
Additions to Working Capital	
Net Earnings and Special Item .....	\$ 645,666
Depreciation and Amortization .....	884,535
	<hr/>
	\$1,530,201
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Application of Working Capital	
Cash Dividends .....	\$ 312,796
Decrease in Long-term Debt .....	910,039
Fixed Assets Acquired Under Modernization and Expansion Program .....	738,517
Increase in Deferred Charges .....	334,408
Other Items Net .....	15,063
	<hr/>
	\$2,310,823
<hr/>	
Working Capital at end of year .....	\$13,626,127
	<hr/>

### FINANCIAL POSITION

Interstate was able to move ahead with its expansion and modernization program, to meet the obligations of its long-term debt, and to reinstate a dividend program, without appreciably affecting its strong financial position. A reduction in working capital from \$14,406,700 a year ago to \$13,626,100 at the end of fiscal 1958 was offset by a reduction in long-term debt from \$5,888,200 to \$4,978,200. Net worth remained approximately the same — \$15,586,300 compared with \$15,253,400 the year prior.



## GROWTH AND MODERNIZATION

Interstate Department Stores continued last year its program of strengthening store operations. Initiated in 1953 and accelerated in more recent years, the program has been aimed at the over-all objectives of keeping the Company abreast of the rapid changes taking place in the retailing field — the trend towards suburban shopping centers, the development of discount operations, and the establishment of suburban branch stores.

The Company has concentrated its efforts on the following: (1) Opening new and more profitable stores, particularly in suburban shopping center locations, (2) modernizing key stores in communities where Interstate's stores rank among the leaders, and (3) discontinuing stores which no longer contribute their share to the Company's earnings.

Furthering this program involved an expenditure of \$739,000 last year, making a total of approximately \$3,750,000 that the Company has invested since 1955. Particular emphasis was placed last year on completing the current stage of the modernization program which since 1955 has brought about extensive modernization of key stores in Marion, Ind., Muncie, Ind., Rockford, Ill., Springfield, Ohio, Battle Creek, Mich. and Huntington, W. Va.

In line with its expanding interest in the suburban shopping center type of retail operation, Interstate last year opened three such stores, bringing to six the number that have been opened since 1955. Located on the outskirts of Evansville, Ind., Fort Wayne, Ind. and Massena, N. Y., these stores feature the characteristics that have become synonymous with this form of retailing — modern one story construction, attractive layout and fixtures, and abundant parking facilities. In accordance with the Company's policy of keeping its investment in fixed assets at a minimum, these stores were constructed to Interstate's design and specifications, and were leased on favorable long-term bases.

Discontinuing the operation of marginal stores has also played an important role in Interstate's program. Last year the Company closed its stores in Akron, Ohio and Reading, Pa., as their leases expired. This makes a total of five such marginal stores discontinued during the past two years.



## EXPANSION IN NEW FIELDS

Considerable attention has also been given in recent years to the discount field, and the possible application of low mark-up type operations to the merchandising of quality products in attractive surroundings, without sacrificing the essential ingredients of service. Following a period of extensive study, the Company submitted its new concept to actual field testing. Now, with a year and a half of field testing behind it, and satisfied that the concept has proven itself, Interstate has taken steps to enter the field in a major way.

Just recently we completed arrangements to purchase the largest and fastest growing low mark-up operation on the West Coast, White Front Stores, Inc. This company, with two stores in the Los Angeles area, had sales of better than \$20,000,000 last year, and based on operating experiences to date can be expected to contribute substantially to the net earnings of Interstate.

White Front has developed a broad following and reputation in its area, which can be attributed to the highly effective manner in which it has applied discount store techniques to the selling of quality merchandise and to its policy of providing efficient customer service. The management responsible for the rapid and successful rise of the White Front stores will continue to direct their operations.

Interstate purchased all of the stock of White Front for a total consideration of \$1,650,000, including \$1,150,000 in cash and short term notes and 16,393 shares of Interstate's stock.

Another major step taken by Interstate has been the inauguration of a program of opening a new group of low-overhead, mass-merchandising stores under the name, "Family Fair." Present plans call for opening the first "Family Fair" in Canton, Ohio in October. Almost simultaneously, another "Family Fair" will be opened in Toledo, Ohio and in February of 1960 two such stores will be opened in Louisville, Ky. The stores will range from 60,000 to 100,000 square feet in floor space and will carry a broad line of quality goods, both soft and hard, which will be offered at prices substantially less than charged at conventional stores.

## OUTLOOK

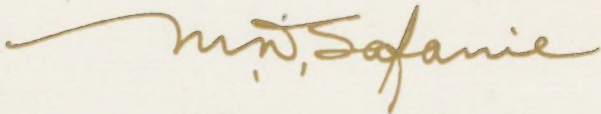
We expect that our entry into the field of low-overhead, mass-retailing will have an important bearing on the Company's growth.



According to most economists, the outlook for retailing is for continued improvement this year and for further advances long-range in keeping with the pace of our economy. In line with these favorable business opportunities and as a result of the expansion and modernization programs, described above, we are confident that the Company will share materially in this improvement.

We are grateful for the support and cooperation of all members of the organization and we are confident that their efforts will enable the Company to achieve the goals that it has established for itself.

For the Board of Directors,

A handwritten signature in brown ink, reading "M. D. Safanie". The signature is fluid and cursive, with a long horizontal stroke extending from the left.

M. D. SAFANIE, *Chairman*

A handwritten signature in brown ink, reading "S. W. Cantor". The signature is cursive and compact, with a prominent loop at the end.

S. W. CANTOR, *President*



INTERSTATE DEPARTMENT STORES, INC. AND SUBSIDIARY COMPANIES

Consolidated

ASSETS

	1958 (As at Jan. 31, 1959)	1957 (As at Jan. 31, 1958)
<b>Current Assets:</b>		
Cash .....	\$ 1,042,164	\$ 1,115,674
United States Treasury bills — at cost, plus accrued interest .....	1,529,210	859,866
Accounts receivable:		
Customers .....	\$ 5,353,219	\$ 5,500,012
Less: Reserves .....	298,852	460,594
Other .....	687,567	522,040
Merchandise inventories (Note A) ..	10,255,890	11,283,230
Prepaid expenses .....	373,061	353,955
Total Current Assets .....	18,942,259	19,174,183
Other Assets .....	94,173	22,331
<b>Fixed Assets—at cost:</b>		
Land (subject to mortgages — per contra) .....	\$ 182,699	\$ 185,099
Buildings (subject to mortgages — per contra) .....	\$ 511,733	\$ 511,733
Less: Reserves for depreciation	160,165	137,671
	\$ 351,568	\$ 374,062
Furniture and equipment .....	\$ 5,018,112	\$ 5,321,091
Less: Reserves for depreciation	2,625,915	2,781,384
	\$ 2,392,197	\$ 2,539,707
Leaseholds and leasehold improve- ments .....	\$ 5,163,361	\$ 4,958,598
Less: Reserves for amortization	1,585,122	1,378,312
	\$ 3,578,239	\$ 3,580,286
Deferred Charges .....	531,152	196,744
	\$26,072,287	\$26,072,412

The accompanying Notes to Financial Statements are an integral



# Balance Sheet

## LIABILITIES

	1958 (As at Jan. 31, 1959)	1957 (As at Jan. 31, 1958)
<b>Current Liabilities:</b>		
Notes payable—current installments (Note B)	\$ 880,000	\$ 755,000
Accounts payable—trade	2,660,404	2,368,501
Accrued expenses and other liabilities	1,182,646	969,088
Taxes withheld and accrued, other than Federal income taxes	593,082	674,845
Accrued Federal income taxes	\$ 466,231	\$ 637,458
Less: United States Treasury bills —at cost, plus accrued interest	466,231 —	637,458 —
Total Current Liabilities	5,316,132	4,767,434
Deferred Federal Income Taxes	145,000	108,000
<b>Long-term Debt:</b>		
Notes payable (Note B)	4,615,000	5,495,000
Mortgages payable	363,212 4,978,212	393,251 5,888,251
Total Liabilities	10,439,344	10,763,685
Deferred Income—Carrying Charges	46,636	55,290
Stockholders' Equity (Notes B, C, D and F)	15,586,307	15,253,437
Lease Commitments and Other Comments (Notes E, F and G)		
	\$26,072,287	\$26,072,412

part of this statement and should be read in conjunction herewith.



# INTERSTATE DEPARTMENT STORES, INC. AND SUBSIDIARY COMPANIES

## Consolidated Statement of Earnings

	1958 (Year Ended Jan. 31, 1959)	1957 (Year Ended Jan. 31, 1958)
Net Sales:		
Owned Departments .....	\$ 58,180,382	\$59,408,291
Leased Departments .....	7,493,891	7,245,161
	<u>65,674,273</u>	<u>66,653,452</u>
Cost of Sales (including certain buying, occupancy and distribution expenses) .....	49,739,216	50,057,495
	<u>15,935,057</u>	<u>16,595,957</u>
Selling, General and Administrative Expenses .....	14,952,176	14,972,312
	<u>982,881</u>	<u>1,623,645</u>
Other Income—Net .....	291,086	242,951
	<u>1,273,967</u>	<u>1,866,596</u>
Interest Expense .....	286,205	242,790
	<u>987,762</u>	<u>1,623,806</u>
Net Earnings Before Federal Income Taxes .....	360,000	605,000
	<u>627,762</u>	<u>1,018,806</u>
Net Earnings .....		
Special Item:		
Decrease in reserve to reduce merchandise inventories at cost as determined on the "last-in, first-out" basis to the lower of cost or market .....	17,904	21,601
Net Earnings and Special Item .....	<u>\$ 645,666</u>	<u>\$ 1,040,407</u>

Depreciation and amortization amounting to \$884,535 (1958) and \$889,622 (1957) have been charged to cost of sales and selling, general and administrative expenses.

The accompanying Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

## NOTES TO FINANCIAL STATEMENTS

### As At January 31, 1959

The financial statements as at and for the year ended January 31, 1958, are included for comparative purposes only. Reference should be made to the previously issued report for the Accountants' Report and notes pertaining to those financial statements.

NOTE A — Merchandise inventories include merchandise in transit amounting to approximately \$900,000 as at January 31, 1959, based on specific invoice cost.

Merchandise inventories at stores are based on the retail method at (a) cost as determined on the "last-in, first-out" basis, less a reserve to reduce such inventories to the lower of cost or market (\$4,875 as at January 31, 1959 and \$22,779 as at January 31, 1958), or (b) the lower of cost or market after provision for markdowns based on age of merchandise.

Merchandise inventories at warehouses are priced at the lower of cost or replacement market.

NOTE B — Notes payable as at January 31, 1959, are due to:

Banks .....	\$3,010,000
Insurance company .....	2,485,000
Total (including current installments of \$880,000) .....	<u>\$5,495,000</u>

The bank loans (bearing interest at 5% per annum) are payable in aggregate annual installments of \$490,000 in 1959 and \$840,000 from 1960 through 1962.

The notes payable to an insurance company in the amounts of \$1,875,000 and \$610,000 require annual payments as follows: on the first note, \$325,000 in 1959, \$350,000 from 1960 through 1962 and \$500,000 in 1963; on the second note, \$65,000 from 1959 through 1966, inclusive, and \$90,000 in 1967.

The loan agreements with the banks and the insurance company contain, among other things, restrictions on the right of the Company to declare dividends (other than stock dividends). As at January 31, 1959, ap-



INTERSTATE DEPARTMENT STORES, INC. AND SUBSIDIARY COMPANIES

# Consolidated Statement of Stockholders' Equity

	1958 (Year Ended Jan. 31, 1959)	1957 (Year Ended Jan. 31, 1958)
Earnings Retained for Use in the Business as at Beginning of Year .....	\$11,591,697	\$11,336,550
Net Earnings and Special Item .....	645,666	1,040,407
	<u>12,237,363</u>	<u>12,376,957</u>
Dividends Declared (Note C) .....	566,073	785,260
Earnings Retained for Use in the Business as at End of Year ....	11,671,290	11,591,697
Capital Surplus (Note C) .....	2,407,373	2,162,758
Common Stock (stated at par value of \$1 per share since May 27, 1953, plus \$1,271,306 retained as Capital by resolution of the Board of Directors—no par value prior thereto):		
Authorized .....	500,000 shares	
Issued .....	316,946 shares	1,588,252
To Be Issued (Note C) .....	8,662 shares	
	<u>325,608 shares</u>	
	<u>1,596,914</u>	
	15,675,577	15,342,707
Less—Treasury stock—2,846 shares—at cost .....	89,270	89,270
Stockholders' Equity (Notes B, C, D and F) .....	<u>\$15,586,307</u>	<u>\$15,253,437</u>

The accompanying Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

proximately \$1,650,000 of the consolidated surplus of \$14,078,663 is not so restricted.

NOTE C — Dividends declared as shown in the accompanying consolidated statement of stockholders' equity include cash dividends of \$290,545 and, based upon market quotation, a three percent stock dividend of \$275,528, of which \$22,251 is payable in cash in lieu of fractional shares.

The aggregate par value of the shares (8,662) issuable in connection with such stock dividend has been credited to Common Stock and the balance (\$244,615) has been credited to Capital Surplus.

NOTE D — During the year, an option was granted to the Company's president for the purchase at any time through December 31, 1960, of 4,120 shares of the Company's Common Stock at \$22.94 a share, after giving effect to the stock dividend referred to in Note C. As at January 31, 1959, there were 13,390 shares available for the granting of options pursuant to the Company's stock option plan, after giving effect to the aforementioned stock dividend.

NOTE E — At January 31, 1959, the minimum annual rentals of real property leased to the Company or to its subsidiaries under 66 leases expiring after January 31, 1962, amount to approximately \$1,600,000, plus, in certain instances, real estate taxes, insurance, etc.

NOTE F — On April 24, 1959 the Company purchased all the outstanding capital stock of White Front Stores, Inc., a corporation operating two retail stores in California, in consideration for 16,393 shares of its unissued Common Stock and \$1,150,000 in cash, of which \$600,000 was paid at the closing and the balance is payable in six equal monthly installments, without interest.

NOTE G — An employment contract provides, under certain conditions, for payments to the Company's president during each of ten years subsequent to termination of his employment of an amount equal to the aggregate of \$6,000 plus \$2,500 multiplied by the number of years of his employment from February 1, 1959 through January 31, 1963.

GENERAL — The accompanying financial statements are subject to final determination of Federal, state and local taxes.



# Accountants' Report

To the Board of Directors

INTERSTATE DEPARTMENT STORES, INC.  
New York, N. Y.

We have examined the consolidated balance sheet of Interstate Department Stores, Inc. and subsidiary companies as at January 31, 1959, and the related consolidated statements of earnings and stockholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and stockholders' equity, together with the notes to financial statements, present fairly the consolidated financial position of Interstate Department Stores, Inc. and subsidiary companies at January 31, 1959, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & Co.  
Certified Public Accountants

New York, N. Y.

April 13, 1959

(except for Note F, which is  
as at April 24, 1959)

## 10 Year Comparative Operating Statistics

(in thousands of dollars)

Years Ended January 31.	SALES			NET INCOME		Earnings Per Share	Cash Dividends Per Share	Stockholders' Equity Per Share
	Total	Owned Departments	Leased Departments	Before Fed. Inc. Tax	After Fed. Inc. Tax			
1959	\$65,673	\$58,180	\$7,493	\$ 987	\$ 645	\$2.06	\$ .92½	\$49.62
1958	66,653	59,408	7,245	1,623	1,040	3.31	2.50	48.56
1957	67,184	60,086	7,098	2,131	1,323	4.20	2.50	47.75
1956	66,359	59,062	7,297	2,348	1,360	4.40	2.50	45.99
1955	62,902	55,511	7,391	1,980	1,078	3.51	2.50	44.46
1954	63,865	56,317	7,548	1,829	1,032	3.36	2.50	43.45
1953	64,758	56,900	7,858	2,198	1,188	3.87	2.50	42.59
1952	64,853	56,511	8,342	2,319	1,293	4.20	2.50	41.20
1951	65,508	57,107	8,401	3,320	1,993	6.45	2.12½	39.46
1950	61,752	52,016	9,736	1,885	1,160	3.76	2.00	35.13





Fort Wayne — Suburban Branch — Southgate



Boston Store — Massena



Evansville — Suburban Branch — Lawndale

*Transfer Agent:* THE CHASE MANHATTAN BANK, New York  
*Registrar:* MANUFACTURERS TRUST COMPANY, New York  
*General Counsel:* PARKER, CHAPIN AND FLATTAU, New York  
*Public Accountants:* S. D. LEIDESDORF & CO., New York  
*Shares Listed:* NEW YORK STOCK EXCHANGE  
*Annual Meeting:* FOURTH WEDNESDAY IN MAY

## LOCATION OF OUR STORES

### CONNECTICUT

*New Haven*

### NEW YORK

*Latham  
Troy  
Utica  
Massena*

### ILLINOIS

*Aurora  
Belleville  
Decatur  
Peoria  
Rockford  
Loves Park  
Springfield  
Waukegan*

### OHIO

*Springfield*

### PENNSYLVANIA

*Coplay  
Williamsport  
York*

### INDIANA

*Anderson  
Evansville (2)  
Fort Wayne (2)  
Marion  
Muncie  
South Bend  
Vincennes*

### SO. CAROLINA

*Anderson*

### TENNESSEE

*Knoxville*

### VERMONT

*Rutland*

### IOWA

*Davenport  
Des Moines*

### VIRGINIA

*Staunton*

### KENTUCKY

*Louisville  
Paducah*

### WEST VIRGINIA

*Huntington*

### WISCONSIN

*Fond du Lac  
Green Bay  
Madison  
Milwaukee  
Racine  
Sheboygan  
West Bend*

### MICHIGAN

*Battle Creek  
Flint  
Jackson  
Lansing  
Port Huron*

### CALIFORNIA

*Los Angeles      Van Nuys*

Acquired April 24, 1959



1958

**ANNUAL  
REPORT**

**INTERSTATE DEPARTMENT STORES, INC.**